

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EA-09 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02

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FM AMCONSUL ST JOHNS

TO SECSTATE 1307

INFO AMEMBASSY OTTAWA

AMEMBASSY LONDON

AMEMBASSY TOYKO

UNCLAS STJOHNS 329

E.O. 11652 N/A

TAGS ECEM EFIN ENRG CA UK

SUBJECT COME BY CHANCE OIL REFINERY

REF ST JOHN'S A-43 (NOTAL)

1. AFTER WEEKS OF NEGOTIATION, THERE IS STILL NO AGREEMENT AMONG CREDITORS OF JOHN SHAHEEN'S OIL REFINERY AT COME BY CHANCE, NEWFOUNDLAND, TO GRANT THIRD MORTGAGE COVERING THOSE CREDITORS WHOSE ADVANCES TO REFINERY ARE PRESENTLY UNSECURED. UNDERSTAND THAT UK'S EXPORT CREDIT GUARANTEE DEPARTMENT (HOLDER OF APPROX DOLS 110 MILLION FIRST MORTGAGE) AND PROVINCE OF NEWFOUNDLAND (HOLDER OF DOLS 41 MILLION SECOND MORTGAGE) ARE INSISTING THAT THEY WILL NOT AGREE TO THIRD MORTGAGE UNLESS:

A. ATAKA AMERICA (PRINCIPAL UNSECURED CREDITOR, OWED APPROX DOLS 340 MILLION BY REFINERY) AND OTHER CREDITORS WILL CONTINUE REFINERY IN OPERATION AND WILL CONTINUE FINANCIAL SUPPORT UNTIL AT LEAST END OF MAY, 1976,

B. ALL UNSECURED CREDITORS ARE INCLUDED IN THE THIRD
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MORTGAGE, AND

C. THE SECURITY OF THE FIRST AND SECOND MORTGAGE-
HOLDERS WILL NOT BE IMPAIRED BY THE GRANTING OF THE THIRD
MORTGAGE.

2. NOTING REPORT IN ST JOHN'S PRESS
STATING THAT SOME REFINERY WORKERS HAVE BEGUN LOOKING FOR
OTHER JOBS, I PHONED KEN SEABRIGHT, REFINING MANAGER AT
COME BY CHANCE, AND ASKED IF THERE WERE PLANS AFOOT TO CLOSE
DOWN REFINERY. HE DENIED ANY SUCH PLANS AND STATED THEY
HAD JUST OBTAINED RELEASE OF NEW CARGO OF OIL AND HAD
SUFFICIENT SUPPLY ON HAND OF CRUDE TO PERMIT OPERATION
FOR NEXT MONTH AT LEAST.

3. PROVINCIAL MINISTER OF MINES AND ENERGY JOHN CROSBIE
INFORMED ME THIS MORNING THAT MATTER NOW RESTS WITH ATAKA
WHICH IS CONFERRING WITH BANK OF JAPAN AND THE FIVE OTHER
JAPANESE BANKS WHICH HAVE EXTENDED FINANCIAL BACKING TO
ATAKA AMERICA. CROSBIE EXPECTS ATAKA TO COME UP WITH SOME
SORT OF PROSPOSAL WITHIN NEXT 10 DAYS OR SO BUT CONFESSES THAT
HE FINDS DEALING WITH JAPANESE VERY MYSTIFYING SINCE HE HAD
FEELING THAT COMPANY WITH WHOM HE NEGOTIATES IS MERELY A
FRONT FOR OTHER COMPANIES AND GROUPS OF COMPANIES BEHIND THE
SCENES. SPEAKING OF SHAHEEN, CROSBIE CALLED HIM "WORLD'S
GREATEST FLIM-FLAM MAN" WHO HAS "COME TO THE END OF
HIS PITCH."

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